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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
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RUEHAK/AMEMBASSY ANKARA 5579
RUEHBJ/AMEMBASSY BEIJING 3298
RUEHKO/AMEMBASSY TOKYO 3163
RUEHIT/AMCONSUL ISTANBUL 3822
RHMCSUU/CDR USCENCOM MACDILL AFB FL
RUCPDO/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHBS/USEU BRUSSELS
RHEHNSC/NSC WASHDC
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001068

SIPDIS

SCA/CEN; EEB
COMMERCE FOR ELLEN HOUSE

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SUBJECT: TURKMEN GOVERNMENT GLOSSES OVER RECENT IMF REPORT

REF: ASHGABAT 617

Classified By: Charge Richard Miles for reasons 1.4 (b) and (d).

11. (C) SUMMARY: Deputy Chairman of the Cabinet of Ministers for Economy and Finance, Tuwakmammet Japarov, announced that the IMF Executive Council had approved a report on Turkmenistan, compiled by an IMF team of experts who visited Turkmenistan in April 2009. According to Japarov, the report praised Turkmen economic and financial reforms, and the GOTX's anti-crisis policy, while forecasting that Turkmenistan would remain attractive in terms of foreign investment. Although, Japarov used the report as proof that the Turkmen economy is thriving, the report was based on 2008 data, before Russia stopped buying gas. Moreover, the report was based on data provided almost exclusively from the Turkmenistan Government. Turkmen media failed to point out key areas of improvement identified by the IMF including: improvement of accounting standards, increased transparency, and wider public availability of economic and financial data. Post approached the IMF Liaison Officer in Ashgabat to discuss report findings, but the Liaison, a local Turkmen, refused to meet with Embassy officials for fear of GOTX repercussions. END SUMMARY.

12. (SBU) On August 14, the IMF Executive Board announced its Public Information Notice (PIN), noting that the IMF team present in country from April 30-May 11, 2009, had completed its report. PIN findings indicated that limited exposure to international financial markets, a small external debt, and strong fiscal and external balances have kept Turkmenistan relatively protected from global economic crisis (reftel). Turkmen media lauded these findings, but have not released any of the areas of improvement noted in the PIN which included: the implementation of revised financial legislation, the implementation of international accounting and audit standards, enhanced accountability in hydrocarbon revenue management, the strengthening of monetary policy framework to keep inflation in check, and more public access to financial and economic data.

13. (SBU) In compiling the report, the IMF team only employed 2008 data, and those data were provided almost exclusively by

the GOTX. Furthermore, the findings did not address gas revenue losses beginning in April 2009, when Russia refused to purchase more gas. Economists estimate that revenue losses have already accrued to over \$4 billion, or 22 percent of the Turkmen GDP. To counter gas revenue losses, some experts speculate that the GOTX has most likely dug deep into its reserves, banking that new gas deals with Iran and China will buffer Russian losses, until Russia comes back to the table. Considering Russia's current financial woes, it is doubtful Russia would again pay the reported \$320 per thousand cubic meters of gas, should the two sides reach a new deal.

¶4. (C) In an effort to find more on the IMF report, Post contacted IMF Ashgabat Office Manager and Liaison Officer, Nazar Durdyklychev (protect throughout). Durdyklychev pointed out that Turkmenistan has never applied for financial assistance from the IMF and it has no plans to do so in the future. As a result, he added, IMF activities in Turkmenistan are limited to making occasional country visits and compiling country reports. He mentioned that IMF reports on Turkmenistan are mostly based on the state of the country's energy sector and gas exports.

¶5. (C) Durdyklychev, a Turkmen citizen, also told us that it is IMF's policy not to discuss details of any reports with foreign diplomats, based on a confidentiality agreement the IMF has with the GOTX. He added that the IMF office in Turkmenistan is located in the Central Bank building, and if Central Bank officials saw him talking with foreign diplomats it could compromise IMF's standing in Turkmenistan and cost him his job. He encouraged us to send a written request to his supervisor for a meeting, but he would not comment on the

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report. Post subsequently requested a meeting with IMF's Mission Chief for Turkmenistan, Valeria Fichera, and is awaiting a response.

¶6. (C) Comment. The recent IMF report demonstrates that Turkmen officials and the Turkmen media are bold enough to spin findings of international bodies. Due to rumors that the Turkmen economy might be in worse shape than the government insists, the IMF report was spun in an effort to squelch such claims. Since Turkmenistan has been without gas revenues for four months now, and the GOTX continues to spend big on development projects throughout the country, it is uncertain how long the government can use its reserves to cover increased expenditures. If gas revenues are delayed much longer, it might become more difficult for the GOTX to convince its citizens that all is well with the Turkmen economy. END COMMENT.

MILES